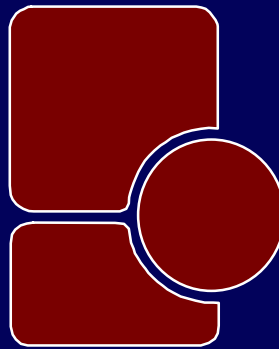


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



Fiscal Analysis Section Report

**Staff Briefing
July 10, 2000**

Introduction

2

Fiscal Analysis Staff:

Kirk Jonas, Deputy Director

Walt Smiley, Fiscal Section Manager

Kimberly Maluski

Daniel Oney

Greg Rest, Steve Ford

Additional JLARC staff, as needed

Jay Landis, DLAS

Presentation Outline

3

- ☒ **Review of 2000 Session Activities**
- ☐ **Overview of Fiscal Note Tracking System**
- ☐ **Potential Enhancements to Fiscal Impact Review Process**
- ☐ **Special Projects**

Section Mandate

■ Appropriations Act Item 16K:

“Out of this appropriation, funds are provided to expand the technical support staff of JLARC, in order to assist with legislative fiscal impact analysis when an impact statement is referred from the chairman of a standing committee of the House or Senate, and to conduct oversight of the expenditure forecasting process. Pursuant to existing statutory authority, all agencies of the Commonwealth shall provide access to information necessary to accomplish these duties.”

Fiscal Review Process

5

- JLARC Subcommittee met November 8, 1999, to consider staff procedures. Commission endorsed Subcommittee recommendations:
 - Clarified that:
 - Chairmen and Co-Chairmen could request reviews at their own discretion, and only of bills before their committee
 - Requests could be by hard copy request or by electronic (web-based) request form
 - Staff deadline would be 5 days from receipt of request or prior to next, or last, committee meeting
 - Staff director or deputy director would have final approval of fiscal impact review
 - Approved forms for making a request and for completed review
- Joint Rules Committee concurred (12/22/99)

Staff Guidelines

6

■ Staff fiscal reviews focus on:

- Fiscal impact statement
- Impact on State, localities, other public entities
- Upcoming biennium
- Costs as defined in the Fiscal Impact Statement referred for review
- Methodology, assumptions, data used to estimate costs

■ JLARC staff fiscal reviews do not comment on:

- Merits of the bill
- Constitutional or other legal issues

Referrals

7

- **Senate: Committee Chairman makes referral**
- **House: Both Committee Co-Chairmen make referral**
- **20 bills were referred for review, from 3 committees**
 - **House Finance: 10 bills**
 - **Senate Finance: 8 bills (all amended into one)**
 - **Senate Transportation: 2 bills**

JLARC Staff Concurrence

8

- Executive Branch agencies prepared 22 impact statements on the 20 bills reviewed by JLARC staff
- Staff reviews of Executive Branch fiscal impact statements resulted in concurrence on two and non-concurrence on 20

	<u>Concur</u>	<u>Non-Concur</u>	<u>Total</u>
DPB	1	11	12
Taxation	1	8	1
Lottery	<u>0</u>	<u>1</u>	<u>1</u>
Total	2	20	22

Diverse Topics of Referred Bills

9

- Criminal penalties for drug offenses (4 bills)
- Local option income tax (3 bills)
- Motor fuel taxes (2 bills)
- Substance abuse screening, testing (2 bills)
- Plus bills on:
 - Local sales tax referendum
 - Food tax reduction
 - State Police career progression
 - Racial profiling database
 - Lottery advertising

JLARC Fiscal Impact Review: Example

10

- **HB 692 would have required any local referendum imposing a local income tax in certain Northern Virginia localities to specify the projects to be funded by the tax. The bill also repealed the 5-year limitation in current law.**
- **Fiscal impact statement from the Department of Taxation said HB 692 would cost \$4.2 million to implement, with annual operating costs of \$638,000**
 - **Assumed all eligible localities passed the referendum and imposed a local income tax**
 - **Included ongoing cost of administering tax on 2.5 million tax returns**

JLARC Fiscal Impact Review: Example

11

■ JLARC staff non-concurred with Taxation on HB 692:

- JLARC staff found that these costs are attributable to current law, which already authorizes these localities to hold such referendum
- HB 692 (as introduced) required projects to be specified on the ballot, but did not change the conditions under which such referendum could be held
- Current statute provides that costs of holding the referendum are fully reimbursable from funds generated by any new tax
- 840,677 tax returns were filed from all eligible localities in 1997; Taxation had estimated costs based on 2.5 million returns. Revised estimate would be \$2.2 million in first year, and \$424,265 annually thereafter.

■ Taxation subsequently issued a revised fiscal impact statement incorporating JLARC's findings

Presentation Outline

12

- ☐ Review of 2000 Session Activities
- ☒ Overview of Fiscal Note Tracking System
- ☐ Potential Enhancements to Fiscal Impact Review Process
- ☐ Special Projects

Fiscal Impact Review Process and System

13

- Chairman / Co-chairman submits request
- Staff analysis
- Management review within JLARC staff
- Delivery of final review to requestors and Chief Patron; publication on JLARC website
 - Link to LIS bill information system by 2001 Session

Presentation Outline

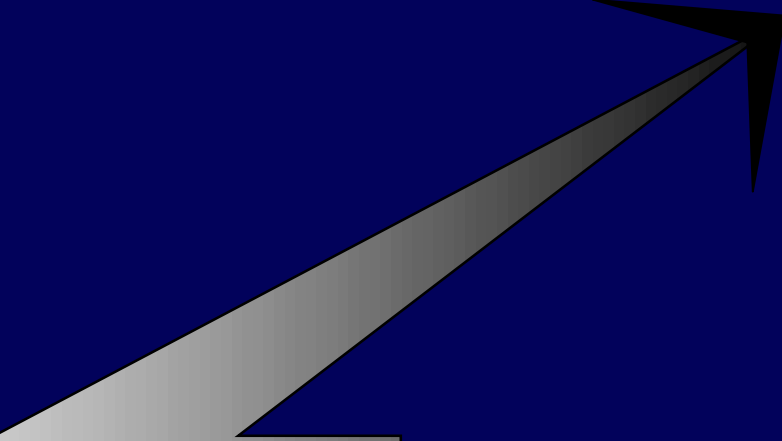
14

- ☐ Review of 2000 Session Activities
- ☐ Overview of Fiscal Note Tracking System
- ☒ **Potential Enhancements to Fiscal Impact Review Process**
- ☐ Special Projects

Potential Enhancements

15

- **Format of Fiscal Impact Review document**
 - Revised for easier use
 - JLARC staff to either “concur” or “non-concur” with the Executive Branch impact statement
 - Easier to use table of estimated impact
 - Detailed explanation attached instead of on page 1
- **Maintain internet access to JLARC reviews**
 - Link to LIS system
 - Integrate request form into chamber automation project
- **Improve legislators’ awareness of JLARC staff review capability**



**The following two pages
compare the old vs. the new
fiscal impact review forms.**



Joint Legislative Audit and Review Commission 2000 Fiscal Impact Review

Bill Number:

HB692 as Introduced



Review Requested By:

Delegate Parrish

Chairman of:

House Finance

Concur

JLARC Staff concur with the fiscal impact statement referred for review

Concur with Reservations

With the reservations noted below, JLARC staff concur with the fiscal impact statement referred for review

X Non-Concur

As noted below, JLARC staff do not concur with the fiscal impact statement referred for review.

Bill Summary

Provides that imposition of the local income tax permitted in certain localities after a local referendum is authorized only if the referendum ballot contains a description of the specific transportation projects to be funded by the revenues of any such tax. The transportation projects are to be designated by the Transportation Coordinating Council of Northern Virginia. The bill repeals current law that restricts any such local income tax to a duration of five years.

Fiscal Implications

JLARC staff concludes that HB 692 would have no direct fiscal impact on the Commonwealth. The fiscal impact statement reviewed here estimates administrative costs applicable to current law, not the direct costs attributable to implementing HB 692. Further, the administrative cost estimate of \$4,261,730 is approximately twice that which would be expected for the localities covered by the legislation (the Department of Taxation has agreed that the administrative cost estimates should be reduced).

This bill amends current statute to allow localities that are eligible to enact a local income tax to spend the tax revenue for transportation purposes designated by the Transportation Coordinating Council of Northern Virginia. The bill requires that these specific projects be described on the ballot used in the required referendum that would authorize the local income tax. The current statute (§§ 58.1-540 and 58.1-548) does not require the designation of specific projects, but limits the local income tax revenue to defined transportation purposes. The localities eligible to enact a local income tax under current law are: Arlington County, Fairfax County, Loudoun County, Prince William County, Alexandria, Fairfax City, Falls Church, Manassas, Manassas Park, and Norfolk.



JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION

Fiscal Impact Review

Bill Number: HB 692 as Introduced
Review Requested By: Delegate Parrish; Delegate Cranwell



Concur

JLARC staff concur with the fiscal impact statement referred for review.



Non-Concur

As noted below, JLARC staff do not concur with the fiscal impact statement referred for review.

JLARC staff do not concur with the Department of Taxation's Fiscal Impact Statement (FIS) for HB 692. HB 692 would have no direct fiscal impact on the Commonwealth. The FIS estimates administrative costs applicable to current law, not the direct costs attributable to implementing HB 692. Further, the administrative cost estimate of \$4,261,730 is approximately twice that which would be expected for the localities covered by the legislation. The Department of Taxation has agreed that the administrative cost estimates should be reduced.

An explanation of the JLARC staff review is included on the following pages.

Authorized for Release:

Presentation Outline

16

- ☐ Review of 2000 Session Activities
- ☐ Overview of Fiscal Note Tracking System
- ☐ Potential Enhancements to Fiscal Impact Review Process
- ☒ Special Projects

Special Projects: Issue-Specific Consultation

17

Tobacco Settlement Distribution Formula:

- **Requested by Senator Hawkins, Delegates Clement and Ruff**
- **JLARC Fiscal Analysis staff provided technical assistance to Tobacco Indemnification and Community Revitalization Commission regarding proposed formula for allocating \$17 million for economic revitalization projects in tobacco-dependent localities**

Special Projects: Issue-Specific Consultation

18

Unemployment Insurance Trust Fund:

- Technical assessment requested by Delegates Rust and Hull
- JLARC staff:
 - concluded that current formula for determining solvency of fund has major problem
 - proposed:
 - alternative formula for defining solvency threshold
 - approach for determining specific values for formula components.